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SENSITIVE

STATE FOR AC/CB, NP/CBM, VC/CCB, L/ACV, IO/S
SECDEF FOR OSD/ISP
JOINT STAFF FOR DD PMA-A FOR WTC
COMMERCE FOR BIS (GOLDMAN)
NSC FOR JOECK
WINPAC FOR LIEPMAN

E.O. 12958: N/A

TAGS: [PARM](#) [PREL](#) [CWC](#)

SUBJECT: CHEMICAL WEAPONS CONVENTION (CWC): WEEKLY WRAP-UP
FOR OCTOBER 1, 2004

This is CWC-116-04.

SOUTH KOREAN POLITICAL CONSULTANT

1. (SBU) On October 1, South Korean del rep Park Yong Kyu informed us that his delegation was recommending to Seoul that South Korea not/not support a continuation of the political consultancy for General Chong, who is tasked with working on universality on the Korean peninsula. The ROK delegation had come to this conclusion after deciding to make a determined effort to obtain a permanent senior position in the Technical Secretariat. The current focus of that effort, continued Park, is the position of head of the External Relations Division, headed by Huang Yu (China). Continued support of Chong's consultancy would weaken the Korean effort to get the ERD or some other senior position, commented Park, so the delegation was urging Seoul to drop continuation of Chong's consultancy. (Note: while the South Korean MOD may have strong objections, we understand that the ROK delegation has informed Director-General Pfirter that they are no longer supporting continuation of Chong's consultancy.)

ARTICLE X

2. (U) All comments provided by Washington were articulated during the September 29 facilitation and during pre-consultation discussions with facilitator Gabrielle Kruger (UK). Kruger indicated all U.S. comments will be reflected in a subsequent amended format, which will be distributed at the end of the week. On the procedural side, Kruger proposed that the deadline for annual submissions should be 90 days after the beginning of the calendar year, and clarified that all SPs will be required to submit a declaration. No delegation commented on these items. The TS did mention that only 7% of SPs made their submission this year.

3. (U) Per guidance, Del confirmed that all SPs will have the right to request each others' declarations. Hassan Mashhadi, Assistance and Protection Branch, reiterated that the EC must adopt procedures for dissemination of the information in whatever format it takes, whether classified or unclassified. Kruger indicated she would take two actions in response to this request. First, she would include instructions and markings on the agreed format reminding States Parties that the format and information provided are to be unclassified.

4. (U) Second, procedures will be devised to accommodate provision and dissemination of classified information, either in the draft decision document or in EC Report language. Although no SP commented on this during the consultations, Brazil approached the Del afterwards to indicate that it was their belief that a SP could make a classified declaration in order to protect national security concerns, and that this information would not be disseminated. Del reiterated that the declaration is intended to provide transparency and that all information submitted by a SP should be available to all other SPs.

5. (U) In the format discussions, Pakistan started the meeting by disagreeing with the concept of official format for the declaration, saying that the Convention does not provide for this. Iran and Brazil seconded this view, while France, South Africa, Czech Republic, and the U.S. disagreed. Pakistan then clarified that it is not opposed to the agreed format, but that SPs should not be legally bound by a "format." Pakistan suggested that, like industry declarations where OPCW formats exist but SPs use their own

forms, SPs should have the right to provide Article X submissions however they please. (NOTE: This argument probably will be attractive with those who do not support the format but are unwilling to say so.)

16. (U) Iran had a concern with nearly every open-ended or "detailed" question in the document, intending to make it more general. No one supported this view during the consultation, but on the margins, Russia informed the Del that it shared the Iranian view on the detail to be provided. (NOTE: On the open-ended questions, the Iranian interpretation seemed to be a misunderstanding that the text required detailed answers rather than leaving it to the SP to decide how much information to provide. Kruger indicated she would clarify this with SPs in bilateral conversations.)

2005 BUDGET - ARTICLE IV/V

17. (U) Budget consultations on Article IV/V inspections were held on September 28. There was limited discussion of the discount factor and the declarations of planned destruction activities by possessor states. Much of the consultation focused on the failure of any of the possessor states to pay Article IV/V contributions in 2004. Thus far in 2004, the TS has received no payments from possessor states. The U.S. failure, though the U.S. was never mentioned by name, to make any payments in 2004 was also discussed and the TS expressed concern that if the TS does not receive our payment within the next two weeks, the TS may be forced to curtail certain activities.

18. (U) The UK delegation began the consultation by asking if the TS could provide any information on the level of Russian destruction activities proposed for 2005. The UK del also asked why future Libyan inspections were not included in the 2005 budget while Albanian inspections were budgeted, despite the fact that no inspections were envisioned until 2006 in Albania. The TS responded that they were soliciting updated plans from possessor states and would then revise the budgets for inspections accordingly. The TS hopes to do this in October.

19. (U) The Canadian delegation asked why the discount rate had been changed from 18.5% to 10%. The TS responded that in light of 2004 inspection activities a 10% discount would be a more accurate reflection of the predicted level of inspections. Inspections in 2004 are expected to be 10.76% lower than the level proposed by possessor states, well below the 18.5% used for planning purposes in 2004.

110. (U) Director of Verification, Horst Reeps, noted in his presentation on budgeting for Article IV/V inspections that thus far no possessor states have paid their Article IV/V assessments. Several delegations (Iran, Canada) then expressed concern that the failure of SP's to pay their Article IV/V, as well as their overall assessments, may impact on overall OPCW activities including inspections. Reeps said that should it become necessary to scale back activities because of non-payment, the Verification Division would first limit inspections of storage facilities, then curtail ICA activities, and as a last resort reduce the number of Article VI inspections.

111. (U) Herb Schulz, Director for Administration, said that he was confident that certain SP's (read: U.S.) would make their payments within two weeks but that with each passing day he too was becoming increasingly concerned. Schulz added that using the Working Capital Fund to cover any shortages was not a viable option as the current financial regulations mandate that any expenditures made from the fund must be re-paid to the fund within the same calendar year that they are expended. Schulz also endorsed the idea of creating a "currency hedge fund" in which gains from currency fluctuations could be placed to cover potential future exchange rate losses. The FRG delegation has been informally pushing this idea over the last two weeks.

112. (U) The German del noted that it was pleased that inspection activity was projected to increase by 17% in 2005, but questioned the 4.3% increase in Chapter 1 activities as opposed to a greater 5.29% increase in Chapter 2 activities, especially Administration. The co-facilitator opined that perhaps the scope for cost savings was less in Admin than in inspections or verification. The South African delegate asked how many SSA inspectors there were and whether they were being utilized in all possessor states. The TS responded that there were currently 10 SSA inspectors and that they were serving in all but one (unidentified) possessor state.

2005 BUDGET -- FINAL SCHEDULED CONSULTATION

¶13. (U) Additional open budget consultations scheduled for September 28 and 29 were cancelled, as no SPs presented topics for discussion to the co-facilitator. The facilitator, as well as several delegations, expressed some frustration that the TS had not yet provided information documents on the impact of exchange rate fluctuations as well as clarifications on the methodologies used to calculate salary increases.

¶14. (U) The eighth and final scheduled budget consultation before the EC took place on September 30. The co-facilitators went to great pains to ensure that delegations have had a chance to voice questions and concerns regarding the proposed 2005 program and budget. The result has been a number of questions to the TS for clarification and exchanges that have ensured full transparency for SPs. The consultation on September 30 generated clearer statements from delegations. While many stated that they still needed instructions from capitals, some markers were laid down. Germany in particular emphasized that it could not agree to the proposed 4.8% increase. Many other delegations, including Japan, stressed that the need for cost-saving measures (calculations on inflation, exchange rate and salary increases) that they asserted justified a lower overall increase.

¶15. (U) The U.S. spoke first and noted that while we still have some concerns about certain items in the budget, most notably RBB language, certain administrative costs, and the methodology used to calculate salary increases, we are generally supportive of the 4.8% budget increase. Del rep noted that many of the issues of concern to delegations could be addressed in the budget decision document and that these differences should not hold up overall consensus on the budget. Del rep also urged the TS to provide delegations with several information papers that have been requested. Ambassador Javits highlighted the fact that the OPCW is one of the few IO's in which the U.S. is supporting a budget increase.

¶16. (U) The UK delegation said that they generally supported the U.S. view, but believed there were still some areas in which the TS could realize some savings in non-program areas and that an increase slightly lower than 4.8% may be more appropriate. Austria supported the UK position.

¶17. (U) Germany said it could not support a 4.8% budget increase. They noted their satisfaction with the overall increase in Chapter I activities, but added that they believed savings still needed to be realized. The three particular areas of concern for the Germans included the methodology used to calculate the proposed 3.6% salary increase for P staff and the 5% increase for G staff. This issue must be addressed in the budget decision document and changed in 2006. They also urged the TS to implement the ABAF recommendation that the same 12-month period, as close to the time of the adoption of the budget, be used for calculating exchange rates. The implementation of this recommendation could result in savings in the 2005 budget, according to the Germans. They supported the conversion of the guard force to fixed-term status but opposed any increase in the authorized fixed-term ceiling of 507 positions. The Germans concluded by observing that there did not appear to be significant differences amongst delegations and that consensus should be attainable.

¶18. (U) Japan supported the FRG and cited the exchange rate issue, the inflation index used by the TS, and the salary increase methodology as particular issues of concern to their delegation.

¶19. (U) Iran supported the overall 4.8% increase but added that they believed ICA funding should be further increased. The Iranians also said that they would propose some changes in the core objectives language.

¶20. (U) Norway said that the key issue was the adequate provision of resources for verification activities. They did not state their position on the overall 4.8% increase.

¶21. (U) China said that while they do have some concerns with the budget, they generally support it. However, they do not yet have instructions from Beijing.

¶22. (U) Italy supported the German position and said it could not support a 4.8% increase. They also expressed some reservations about the guard conversion proposal and accused the TS of being less than forthcoming with information concerning the methodology used to calculate the proposed salary increase. The Italians also said that delegations needed to look more closely at the number of consultants engaged by the TS.

¶23. (U) The Dutch supported the UK and German views and believe further savings are possible.

¶24. (U) Canada generally supported the 4.8% increase but is

also willing to look at further ideas for savings.

125. (U) South Korea said it is still awaiting instructions, but is sympathetic to the concerns expressed by Germany.

126. (U) Brazil said it is still not convinced that a 4.8% increase is necessary and still has concerns about an increase in Article VI OCPF inspections.

127. (U) Denmark noted that it has no formal instructions, but generally supports the German view.

128. (U) Deputy DG Hawtin stated that the 4.8% requested increase would be required if the TS is to carry out the program proposed by the DG. He also said that it was important the TS actually receive the cash from SPs. In response to requests from several delegations for additional information, he stressed that it was essential that delegations request specific information and not just generally ask for additional information. The DDG noted that the funding budgeted for ICA and verification was adequate to carry out the activities programmed.

129. (U) The DDG said that it would be problematic for the TS to convert the 20 security positions from TAC positions to fixed-term positions and not increase the authorized fixed-term limit from 507 to 527. He noted that when the original 507 ceiling was approved in 1997, it was not envisaged that the security function would be included in the 507 ceiling. The DDG agreed with dels that the salary increase methodology should be reexamined and noted that the DG had already promised to do so.

130. (U) The U.S. observed that we would have to reach consensus on issues such as the number of consultants, the 507 ceiling, etc. but that it would be better to address issues such as the salary increase methodology and the use of specific inflation indexes in the report language in order to move the process further along.

131. (U) Pakistan countered that we could not simply brush such issues under the carpet and it was important that all issues raised by other delegations be examined. He said the TS had not provided adequate information to delegations to

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convince them of the necessity for the budget increase. (Note: This despite the fact that the Pakistanis have not attended any budget consultations since July.)

132. (U) Japan and the FRG agreed with the U.S. that many of the concerns raised during the consultations could be addressed in the report language, but there were a few key planning parameters, such as the ABAF exchange rate calculations and the 507 ceiling, that needed to be addressed in the 2005 budget.

133. (U) The DDG opined that it would be difficult at this late date to change the 12 month period used to calculate the predicted exchange rate. He also noted that the basket of goods that the OPCW uses is different than those used to calculate inflation rates in the Netherlands.

134. (U) At the conclusion of the consultation, the Australian co-facilitator, Gordon Eckersley, suggested that it would be necessary to agree on an overall budget increase number before the decision language could be formulated. He also stated that SPs that have called for changes in the core objectives had thus far failed to provide the facilitators with proposed language. He urged delegations with proposed changes to approach the facilitators as soon as possible. Eckersley left open the option of additional meetings next week. Del will follow up with the co-facilitators next week, as well as push the TS to provide additional information we had earlier requested.

135. (U) In connection with results-based budgeting, there have been none of the "drafting sessions" on core precepts, performance indicators, etc. The proposal to have report language which emphasizes that the current wording of these items is not etched in stone, appears to have consensus (although we anticipate some further discussion of these RBB components).

136. (U) Javits sends.

SOBEL